

Message Text

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ACTION ARA-10

INFO OCT-01 ISO-00 SP-02 AID-05 EB-04 NSC-05 RSC-01

CIEP-01 TRSE-00 SS-15 STR-01 OMB-01 CEA-01 CIAE-00

COME-00 FRB-01 INR-05 NSAE-00 XMB-02 OPIC-03 LAB-01

SIL-01 DODE-00 PM-03 H-01 L-01 PA-01 PRS-01 USIA-06

AGR-05 /078 W

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R 311540Z OCT 74

FM AMEMBASSY BUENOS AIRES

TO SECSTATE WASHDC 8664

INFO AMEMBASSY MONTEVIDEO

AMEMBASSY ASUNCION

AMEMBASSY BRASILIA

LIMITED OFFICIAL USE BUENOS AIRES 8002

E. O. 11652: N/A

TAGS: ETRD, AR, UY

SUBJECT: ARGENTINE-URUGUAYAN TRADE TREATY

REF: STATE 215721; MONTEVIDEO 3071

1. EMBASSY HAS CONSULTED ARGENTINE TRADE POLICY EXPERTS
IN AND OUT OF GOA CONCERNING ARGENTINE-URUGUAYAN
TREATY. WE CONCLUDE THAT IT REPRESENTS GENUINE
ARGENTINE EFFORT TO HELP URUGUAY BY INCREASING
IMPORTS OF URUGUAYAN MANUFACTURED PRODUCTS.

2. ARGENTINA AND URUGUAY ARE PROBABLY CLOSER TO EACH
OTHER THAN ANY OTHER TWO LA COUNTRIES. THEY HAVE
THE SAME MAINLY SPANISH-ITALIAN HERITAGE; THEY SPEAK
SPANISH WITH THE SAME ACCENT; THERE ARE EXTENSIVE
BUSINESS AND FAMILY RELATIONS ACROSS THE RIVER PLATE AND
A GREAT DEAL OF TOURIST TRAFFIC. THEIR MAIN BILATERAL FOREIGN
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POLICY PROBLEM, THE BOUNDARY QUESTION IN THE RIVER PLATE,

HAS BEEN SETTLED. ARGENTINES DO NOT FEEL LIKE FOREIGNERS IN URUGUAY AND VICE VERSA. THERE IS PUBLIC SUPPORT IN ARGENTINA FOR ECONOMIC ASSISTANCE TO URUGUAY. IN ADDITION TO THESE TIES, ARGENTINA HAS FOR THE LAST THREE YEARS, BEEN ASSIDUOUSLY CULTIVATING GOOD RELATIONS WITH ITS IMMEDIATE NEIGHBORS, ESPECIALLY URUGUAY. IN THIS EFFORT, THERE HAS BEEN SOME FLAVOR OF COMPETITION WITH BRAZIL. IT IS OUR IMPRESSION THAT URUGUAY, PARAGUAY AND BOLIVIA HAVE BECOME FAIRLY GOOD AT PLAYING OFF EACH OF THEIR LARGE NEIGHBORS AGAINST THE OTHER.

3. THE AGREEMENT OF AUGUST 20 BETWEEN URUGUAY AND ARGENTINA DEMONSTRATED ARGENTINE WILLINGNESS TO BE FORTHCOMING WITH URUGUAY IN PROMISING TO OPEN ARGENTINA'S MARKET TO IMPORTS OF URUGUAYAN MANUFACTURED (AGRICULTURAL PRODUCTS ARE EXCLUDED). THE ADDITIONAL PROTOCOL PLEDGES ARGENTINA TO ELIMINATE COMPLETELY ITS DUTIES AND RESTRICTIONS OF ALL KINDS ON ALL URUGUAYAN MANUFACTURED PRODUCTS INCLUDED IN THE LIBERALIZATION PROGRAM, SUBJECT TO A NEGATIVE LIST OF EXCEPTIONS. WE UNDERSTAND, HOWEVER, THAT ONCE THE GOA STARTED TO MAKE THIS LIST OF EXCEPTIONS AND TO OBTAIN THE ASSENT OF ARGENTINE INDUSTRY, THE LIST TURNED OUT TO BE QUITE EXTENSIVE. THE GOA IS NOW TRYING TO CONVINCE THE URUGUAYANS TO ACCEPT A POSITIVE LIST INSTEAD. NATURALLY, URUGUAY IS RELUCTANT TO GIVE UP ITS PRINCIPAL ADVANTAGE IN THE TREATY. THE QUESTION IS UNDER NEGOTIATION. THIS WILL BE A TEST OF THE GOA'S ABILITY AND WILLINGNESS TO MOVE AHEAD WITH INTEGRATION, ONE OF THE PERONIST GOVERNMENT'S MAIN ANNOUNCED GOALS. IF THE GOA WILL NOT UNDERTAKE EXTENSIVE LIBERALIZATION OF IMPORTS FROM URUGUAY, IT IS UNLIKELY TO DO SO FOR OTHER LAFTA COUNTRIES.

4. THE AGREEMENT CONTEMPLATES THE GRANTING OF NON-EXTENSIVE CONCESSIONS BY URUGUAY TO ARGENTINA, THAT IS, CONCESSIONS WHICH URUGUAY WOULD NOT EXTEND TO OTHER LAFTA COUNTRIES. THIS IS INCONSISTENT WITH ARTICLE XVIII OF THE TREATY OF MONTEVIDEO, AND WILL DOUBTLESS BE A MATTER OF CONCERN TO THE OTHER LAFTA COUNTRIES. THERE IS NO EXCEPTIONAL PROVISION IN THE TREATY OF MONTEVIDEO WHICH PERMITS ONE OF THE SMALLER COUNTRIES TO GRANT NON-EXTENSIVE CONCESSIONS TO ANY OF THE LIMITED OFFICIAL USE

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LARGER COUNTRIES.

5. THE AGREEMENT EMBODIES A NEW IDEA WHICH IS BEGINNING TO TAKE HOLD IN LAFTA, THAT OF RECIPROCITY OF TRADE RESULTS RATHER THAN RECIPROCITY OF ESTIMATED TRADE VALUE OF CONCESSIONS. IT ALSO CONTEMPLATES A FAVORITE IDEA OF THE GOA: THE CREATION OF BINATIONAL ENTERPRISES AS A MEANS TOWARD INTEGRATION. (ARGENTINA IS ALSO USING THIS APPROACH WITH

PARAGUAY).

6. THE GOA NATURALLY PREFERS TO HAVE ITS NEIGHBOR IN GOOD ECONOMIC SHAPE RATHER THAN IN SHAKY CONDITION, BOTH FOR POLITICAL AND ECONOMIC REASONS. THIS AGREEMENT REPRESENTS AN EFFORT TO CONTRIBUTE TO MAKING URUGUAY A BETTER NEIGHBOR.

7. THIS MESSAGE ALSO SUPPLEMENTS INFORMATION IN MONTE-VIDEO 3071 REGARDING ARGENTINE CONCERN OVER URUGUAY'S ECONOMIC PLIGHT.

DECONTROL 10/30/77.
HILL

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: ECONOMIC COOPERATION, TRADE AGREEMENTS
Control Number: n/a
Copy: SINGLE
Draft Date: 31 OCT 1974
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: boyleja
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1974BUENOS08002
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D740312-0284
From: BUENOS AIRES
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1974/newtext/t1974104/aaaaacxr.tel
Line Count: 128
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION ARA
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: STATE 215721; MONTEVIDEO 3071
Review Action: RELEASED, APPROVED
Review Authority: boyleja
Review Comment: n/a
Review Content Flags:
Review Date: 05 SEP 2002
Review Event:
Review Exemptions: n/a
Review History: RELEASED <05 SEP 2002 by boyleja>; APPROVED <10 MAR 2003 by boyleja>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: ARGENTINE-URUGUAYAN TRADE TREATY
TAGS: ETRD, AR, UY
To: STATE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005